

## Senate Bill No. 912

### CHAPTER 8

An act to amend Section 14105.19 of the Welfare and Institutions Code, relating to Medi-Cal, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor February 17, 2006. Filed with  
Secretary of State February 17, 2006.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 912, Ducheny. Medi-Cal: provider reimbursement.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and under which qualified low-income persons receive health care benefits.

Existing law requires the Director of Health Services, until January 1, 2007, to reduce by 5% Medi-Cal provider payments for Medi-Cal program services for dates of service on and after January 1, 2004. However, existing law makes this reduction inapplicable to Medi-Cal program services provided between January 1, 2004, and December 31, 2005. Existing law also requires the director to make reductions in other specified programs, including payments made to managed health care plans.

This bill would eliminate the above reductions with respect to Medi-Cal program services for dates of service commencing 14 days after the effective date of the bill and ending on January 1, 2007, to the extent that federal financial participation is available for the increase provided for in these provisions. The bill would exempt from elimination the reduction in payments to managed health care plans.

The bill would state the intent of the Legislature that the department take all administrative steps necessary to implement expeditiously these provisions.

The bill would appropriate \$22,500,000 from the General Fund and \$25,800,000 from the Federal Trust Fund to defray the cost of eliminating the Medi-Cal reductions described above.

The bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

*The people of the State of California do enact as follows:*

SECTION 1. Section 14105.19 of the Welfare and Institutions Code is amended to read:

14105.19. (a) Due to the significant state budget deficit projected for the 2003–04 fiscal year, and in order to implement changes in the level of funding

for health care services, the Director of Health Services shall reduce provider payments as specified in this section.

(b) (1) (A) Payments shall be reduced by 5 percent for Medi-Cal program services for dates of service on and after January 1, 2004. However, on the effective date of the act that amended this paragraph during the 2005 Regular Session, the reduction described in this paragraph shall not apply with respect to Medi-Cal program services for dates of service from January 1, 2004, to December 31, 2005, inclusive.

(B) The reductions described in subparagraph (A) shall not apply with respect to Medi-Cal program services for dates of service commencing 14 days after the effective date of the act that added this subparagraph and ending on January 1, 2007, to the extent that federal financial participation is available for the increase provided for in this subparagraph. However, this subparagraph shall not apply to the reduction provided for pursuant to paragraph (3).

(2) Payments shall be reduced by 5 percent for non-Medi-Cal programs described in Section 14105.18, for dates of service on and after January 1, 2004.

(3) The payments made to managed health care plans shall be reduced by the actuarial equivalent amount of 5 percent at the time of the plan's next rate determination.

(4) Reductions to payments for durable medical equipment shall be made at the discretion of the director. If any reduction is made pursuant to this paragraph, the reduction may not exceed 5 percent.

(c) The services listed below shall be exempt from the payment reductions specified in subdivision (b):

(1) Acute hospital inpatient services.

(2) Federally qualified health clinic services.

(3) Rural health clinic services.

(4) Outpatient services billed by a hospital.

(5) Payments to state hospitals or developmental centers.

(6) Payments to long-term care facilities as defined by the department, including, but not limited to, freestanding nursing facilities, distinct-part nursing facilities, intermediate care facilities for developmentally disabled individuals, subacute care units of skilled nursing facilities, rural swing beds, ventilator weaning services, special treatment program services, adult day health care centers, and hospice room and board services.

(7) Clinical laboratory or laboratory services as defined in Section 51137.2 of Title 22 of the California Code of Regulations.

(8) Contract services as designated by the Director of Health Services pursuant to subdivision (e).

(9) Supplemental reimbursement provided pursuant to Sections 14105.27, 14105.95, and 14105.96.

(10) Services provided on or after July 1, 2004, through the California Children's Services Program pursuant to Article 5 (commencing with Section 123800) of Chapter 3 of Part 2 of Division 106 of the Health and Safety Code, the Genetically Handicapped Persons Program, pursuant to Article 1

(commencing with Section 125125) of Chapter 2 of Part 5 of Division 106 of the Health and Safety Code, the Child Health and Disability Prevention Program pursuant to Article 6 (commencing with Section 124025) of Chapter 3 of Part 2 of Division 106 of the Health and Safety Code, the Multipurpose Senior Services Program pursuant to Chapter 8 (commencing with Section 9560) of Division 8.5, the Breast and Cervical Cancer Early Detection Program established pursuant to Article 1.3 (commencing with Section 104150) of Chapter 2 of Part 1 of Division 103 of the Health and Safety Code, and the breast cancer programs specified in Section 30461.6 of the Revenue and Taxation Code.

(11) Legend and nonlegend drugs dispensed by pharmacy providers reimbursed pursuant to Section 14105.45, effective September 1, 2004.

(d) Subject to the exception for services listed in subdivision (c), the payment reductions required by subdivision (b) shall apply to the services rendered by any provider who may be authorized to bill for the service, including, but not limited to, physicians, podiatrists, nurse practitioners, certified nurse midwives, nurse anesthetists, and organized outpatient clinics.

(e) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may implement this section by means of provider bulletin, or similar instruction, without taking regulatory action.

(f) The department shall promptly seek all necessary federal approvals in order to implement this section, including necessary amendments to the state plan.

(g) This section shall remain in effect only until January 1, 2007, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2007, deletes or extends that date.

SEC. 2. It is the intent of the Legislature that the State Department of Health Services take all administrative steps necessary to implement expeditiously the amendments to Section 14105.19 of the Welfare and Institutions Code contained in Section 1 of this act.

SEC. 3. There is hereby appropriated to the State Department of Health Services the following sums in order to defray the cost of changes in Medi-Cal reimbursement rates created as a result of the changes to Section 14105.19 of the Welfare and Institutions Code pursuant to Section 1 of this act:

(a) The sum of twenty-two million five hundred thousand dollars (\$22,500,000) from the General Fund, in augmentation of Item 4260-101-0001 of Section 2.00 of the Budget Act of 2005 (Chapter 38 of the Statutes of 2005).

(b) The sum of twenty-two million eight hundred thousand dollars (\$22,800,000) from the Federal Trust Fund, in augmentation of Item 4260-101-0890 of Section 2.00 of the Budget Act of 2005 (Chapter 38 of the Statutes of 2005).

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to ensure that Medi-Cal providers are adequately compensated for their services at the earliest possible time, and thereby ensure the integrity of the Medi-Cal program, it is necessary that this act take effect immediately.